97-84013-3

Patterson, Christopher Stuart

The benefits of the National Reserve...

Philadelphia, Pa.

[1911?]

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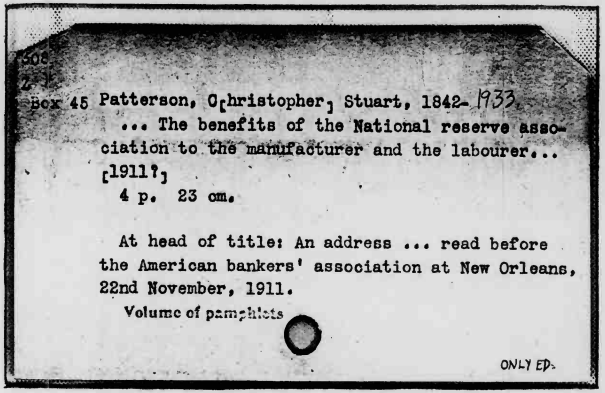
Box 45 Patterson, C[hristopher] Stuart, 1842-1933.
... The benefits of the National reserve association to the manufacturer and the labourer... [1911?]
4 p. 23 cm.
At head of title: An address ... read before the American bankers' association at New Orleans, 22nd November, 1911.
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TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-4-97 INITIALS: PB.

TRACKING # : 20976

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An Address by C. Stuart Patterson, President of the Western Saving Fund Society of Philadelphia. Read before the American Bankers' Association at New Orleans, 22nd November, 1911.

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THE BENEFITS OF THE NATIONAL RESERVE ASSOCIATION TO THE MANUFACTURER AND THE LABOURER.

Sent out with the compliments of George H. Paine, Philadelphia, Pa.

THE BENEFITS OF THE NATIONAL RESERVE ASSOCIATION TO THE MANUFACTURER AND THE LABOURER

I may assume that I have been asked to speak upon the subject of this address, because I have been for many years, and am, one of the directors of a Railroad and also the President of a Savings Bank. That Railroad in the year 1910 carried 168,604,348 passengers; moved 441,619,033 tons of freight, manufactured in its own shops railroad material and supplies of a value of $91,839,069, and paid wages to the amount of $154,896,327 to 189,809 employees.

That railroad system may properly be characterized as a manufacturer of transportation and of railroad supplies.

That Savings Bank holds in trust the savings of more than 58,000 depositors, most of whom are wage-earners.

I may, therefore, venture to think that I have had, as regards the interests of both manufacturers and laborers, a qualifying experience.

Large as are the figures which I have quoted for the railroad system to which I have referred, they are small in comparison with those of all the manufacturing concerns of the United States who according to the latest report of the Census Bureau number 268,491, have 6,615,046 employes, and the total value of whose annual output exceeds $20,672,052,000.

The successful manufacturer sets aside an adequate working capital. He invests the balance of his capital in the construction of his original plant. From time to time he invests additional capital in, or takes out of earnings the sums needed for, any betterments, new appliances, or methods of working, which may diminish the cost of operation. He appropriates the balance of earnings to the maintenance of the plant in thorough repair, the purchase of raw material, the payment of wages, and to other necessary expenses. He sells his finished product at the highest obtainable prices in the hope of making the greatest possible profit, after deducting all disbursements and interest upon invested capital.

He opens, and maintains, one, or more, banking accounts for the safe custody of his moneys, cashing of his cheques upon demand, conveniences of collection and remittance, and loans

and discounts by which to convert into cash bills and accounts payable. He knows, as all intelligent men know, that, in the last analysis, the business of the country rests upon credit, public and private; that the basis of credit is confidence in the certainty of the fulfillment of obligations; that that confidence is sensitive and liable to serious disturbance, sometimes by an undue expansion of trade beyond the demands of the country and in excess of the means of payment, sometimes by unwise governmental action, and sometimes by the intemperate utterances of demagogues in office or out of office. He, therefore, is assured that, at greater or less intervals, panics will come, and that, when there is no panic, there will be varying periods of greater, or less, financial stringency.

So far as regards his payment of wages and minor disbursements, he asks of the banking and currency system of the country that, under strained, as well as under easy, conditions, his cheques against the credit balance of his banking accounts be cashed on demand in currency of full purchasing power, and in the desired kinds and denominations. So far as regards his purchases of raw material, his sales of finished product, and the general conduct of his business he asks of the banking system of the country just what the merchant asks; and that is, that the system should minimize, rather than make greater, the disastrous effects of panics; that when he most needs loans, by which to anticipate receipts in times of stringency, and when he furnishes collateral acceptable, and is ready to pay discount rates satisfactory, to the lender, he should be certain to receive the indispensable accommodation; and that, whenever asked, his banks should, upon reasonable terms, give him, or obtain for him, every facility in foreign bills of exchange, in inland drafts, in telegraphic transfers, and also in bank acceptances, which acceptances ought to, but cannot, under existing legislation, be issued by national banks.

It is a truism that people of limited resources suffer more in hard times than people of large resources, and that working people, generally dependent upon their wages for their daily bread, suffer most of all, when adverse conditions compel the diminution, and sometimes the stoppage of work, increase the prices of the necessaries of life, and require them to draw upon their too scanty savings. They are, of all people, the most deeply interested in the establishment and successful operation of a banking and currency system, which will, to the extent that any system can, ensure commercial stability, facilitate continuous employment at good wages for all who are willing and able to work, and make certain, that wages, when paid, will be paid in currency of full exchangeable value.

Those of us, who had to face the panics of 1893, and 1907, with their melancholy records of closed factories, and idle workmen, unnecessary insolvencies that might have been averted if prompt and adequate relief could have been given, and widespread suffering—all of us who are now in touch with the business of the country—well know how far and in what respects, the existing banking and currency system falls short of that which the growing commerce and expanding trade of the United States demand.

The plan of monetary reform based upon the formation of a National Reserve Association, with its constituent branches and local associations, will give the needed relief. While preserving the independence of the individual banks, national and state, and the existing relations between national banks, it extends to the whole country, and to all banks, state as well as national, an effective means of obtaining that concert of action, invaluable in times of panic, which heretofore has only been possible in cities having Clearing Houses. It makes it possible to substitute for the present safe but inelastic note-currency, a currency that will be as safe, and which will automatically expand and contract in accordance with the demands of the trade of the country, and which will be forthcoming, in good times and bad times, when and as needed, and only when and as needed. It makes available for common protection the present scattered and unavailable reserves of the individual banks. And best of all, in providing the banks with an assured market in which they can re-discount their paper of short maturity and thereby convert that paper into reserve funds, it strengthens the position of the banks, and it enables the banks to assist their customers, when that assistance is most needed.

When this project of real reform shall have been crystallized into legislation, the laborers and the manufacturers of the country will join in gratitude to Senator Aldrich, whose patriotism and whose genius have made the reform possible.

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